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OFFICE OF INTERNAL OVERSIGHT SERVICES
AUDIT AND MANAGEMENT CONSULTING DIVISION

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Assignment No. AF2000/50/5

To: Mr. John Chien, CAO
UNOHCI, Baghdad

From: Gloria D. Jose, Resident Auditor
UNOHCI, Baghdad
Audit and Management Consulting Division
Office of Internal Oversight Services

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Subject: OIOS Resident Audit of UNOHCI - Audit of Hazard Pay (HP) - AF2000/50/5

The recommendations set out below are submitted for your consideration. Please comment on them and where appropriate, specify the corrective action taken or provide a planned implementation schedule. When commenting please refer to the Assignment No. listed above and to the recommendation number in parenthesis in order to facilitate monitoring of its status (timely response, acceptance, implementation). Please reply by 15 March 2001.

Audit Observations and Recommendations

1. We reviewed Hazard Pay made to staff members by the Finance Section for the months of July and November 2000 and the relevant accounts maintained, processes applied and reports sent to Finance Section by the Personnel Section. The review revealed several shortcomings in the internal controls, which are brought to your attention for corrective action. The review covered payments to both international and local staff members of UNOHCI and UNGCI.

2. Hazard pay is a form of compensation granted to international and local staff members, who have been requested to remain and report to work in duty stations duly designated by the ICSC. Modalities of payment of hazard pay was a subject of a fax transmission dated 18 August 2000 from PMSS/FALD addressed to all DOA/CAOs of all missions.

International Staff Members

3. Internationally recruited staff members are normally paid US\$1,000.00 for every complete month of physical presence in the hazardous area. Where the staff member spends less than one month, the guideline provided that the allowance is pro-rated on the basis of 365 days (\$33.33 per day).

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4. The OHRM guidelines (refer to OHRM Website) on hazard pay state as follows:

"For periods of less than a month, the amount of hazard pay is prorated on the basis of 365 days, i.e., the monthly amount is annualized and divided by 365 days to obtain the daily rate."

Applying the above rule, the daily rate is \$32.876. Therefore, there is a difference of \$0.454 in the daily rate which amounts to \$165.71 annually per staff member. The current practice of calculating the fractional HP (month not complete) is done by multiplying the number of days a staff member is present in the hazardous area with the daily rate which is at \$33.33.

5. Furthermore, the PMSS/FALD guidelines provide for calculations of fractional HP stating that "using the daily rate, the period of annual leave or special leave is deducted from the monthly allowance". The basis of the payment of HP is the overnight stay in the hazardous area. Thus, daily trips to hazardous areas do not entitle staff members for payment of HP. The general guidelines state that HP is paid from arrival at the duty station, irrespective of the actual number of hours spent at the duty station. It further provided that the payment of HP stops the moment the staff member departs from the designated location where HP is payable.

6. UNOHCI has interpreted the foregoing provision to the receipt of MSA for overnight stay in a mission area where HP is payable. It is clear from the provisions that the risk in a hazardous area does not need any minimum number of hours of exposure to the risks. Therefore, we believe that the dates of arrival and departure at the hazardous area should be included in the days HP is payable. Along the same line, trips outside Baghdad like Baghdad to Amman and return should be compensated with HP.

7. The basis of HP payment is the attendance records that are submitted by the attendance monitors duly certified and approved by responsible officers. The attendance records are submitted together with approved leave reports, duly approved Movement of Personnel (MOPs), etc. Since the attendance records are also the basis of the preparation of the MSA payroll, the HP reports are prepared on a monthly basis and submitted to UNHQ for payment.

8. In the review of the support documents, the following were noted:

- MOPs submitted by GOU observers were only authorized after the trip had commenced. The purpose of an MOP is to authorize a trip and is a control measure to ensure that no unauthorized trips are undertaken. *Post facto* approval of the MOPs defeats this purpose.
- MOPs submitted by some GOU observers date back 5 to 6 months. The submission of late MOPs unnecessarily creates extra work for the staff member preparing the HP reports.
- Most of the attendance sheets examined showed that international staff members were marked "P" for present each day of the month including Fridays, Saturdays and Holidays. We were informed that since the staff members were in Iraq for the period, whether or

not the staff member reports to work, the staff member is reflected in the attendance sheet as present.

We recommend that:

PMSS/FALD issue corrective circular to change the daily rate of hazard pay from US\$33.33 to US\$32.88 in line with the OHRM Guidelines (Rec.# AF00/50/5/101)

UNOHCI Personnel Section change the manner of computation of fractional HP by deducting days of absence multiplied by daily rate from the monthly allowance of US\$1,000. (Rec.# AF00/50/5/102)

UNOHCI seek clarification from PMSS/FALD on the correct interpretation of the general guidelines on the entitlement of a staff member to HP in relation to the number of hours spent in the designated HP areas (Rec.# AF00/50/5/103)

UNOHCI should amend procedures in order to ensure that Movement of Personnel forms (MOP) are approved prior to start of official trips and are submitted together with the attendance sheets at all times. Travel should only commence on the basis of approved MOP's. (Rec.# AF00/50/5/104)

Locally-Recruited Staff

9. In a UNOHCI inter-office memorandum dated 07 April 1998 local staff from Baghdad are entitled to HP provided the local staff stayed overnight in the hazardous area for purpose of duty and are in possession of a duly authorized MOP. Local staff stationed in the North are entitled to a flat daily rate of US\$10.00 for each day present for work.

10. This payment was authorized in a letter dated 24 March 1998 from Mr. Camarena, Chief, Common System and Inter-Agency Unit, CSCS/SSD/OHRM. The rate was based on 20 per cent of the midpoint of the local salary scale Rev.24/Amend. 1. Note that at present, Rev.25 scale is being used by UNOHCI. Rev.24/Amend. 1 yields a higher rate of US\$10.00 over that of US\$7.00 of Rev. 25 scale. The FALD appointments have different salary scales. But, as a transitional measure the rate was fixed at US\$10.00 per day. It further stated that this is subject to review when the current salary scales for Baghdad are revised. The OHRM guidelines on HP for locally recruited staff provide for a daily rate obtained by dividing the annual amount (i.e. 20 per cent of the net midpoint of the applicable local salary scale) by 365 days.

11. At present, there are approximately 6 staff members under 100 series and approximately 260 under the 300 series. Most of the staff members under 300 series are in their 4th year. The possibility of conversion to 100 series is imminent. The salary scales for the 100 series and that of the 300 series are different. Other UN agencies have separated the HP entitlement for 100 series, 300 series,

service contracts and national officers depending on the salary scales applicable to each type of appointment issued.

12. The general guidelines on the modalities of HP payment for locally-recruited staff provided for the annual amount multiplied by 20% of mid-point of applicable local salary scale.

We recommend that:

UNOHCI recommend HP daily rates to PMSS/FALD in accordance with the applicable salary scales for 100 and 300 series staff members, respectively (Rec.# AF00/50/5/105)

Processing and payment of HP

13. HP payment procedures to local staff differs depending on whether they are based in Baghdad or in the North. For staff in Baghdad, payment is made on the basis of Travel claims (F.10) since these are not regular payments. The supporting document is an approved MOP. For those in the North, payment is made through a payroll, the basis of which are the attendance sheets, leave forms, and MOPs when they are on official travel which may be within or outside the HP designated area.

14. The processing of HP claim for local staff based in Baghdad, is handled by the Finance Section. However, the Personnel Section processes those in the North, since they are linked to the monthly attendance sheet. A local staff member in Personnel Section, Baghdad is assigned to verify the attendance sheets and attachments for purposes of determining the days/amounts payable to the staff members. Based on the attendance sheets, she prepares a schedule of HP for local staff in the North with a covering letter addressed to the Chief Finance Officer (CFO) signed by the Chief, Civilian Personnel Officer (CCPO) stating that the information provided is verified against the attendance sheets processed by the attendance monitors and signed by the supervisors. There is no proof of review provided by an immediate supervisor in Personnel Section before the report goes to Finance Section. The supporting documents are left with Personnel Section for filing. Upon receipt by Finance Section, a payroll is prepared for HP. The following information is provided:

Personnel Section

- Numerical order no.
- Location
- Name
- Index No.
- No. of days payable
- HP
- Total amount payable

Finance Section

Additional information/column

- Signature column

15. The review of HP payments for the North, revealed that HP had not been paid on a regular basis, i.e. monthly. In some cases, they were paid after one month, two months or even three

months. An interview with the local staff preparing the HP list in Personnel Section revealed that she spends two days maximum in verifying the attendance sheets and determining the correct number of days payable. However, a review of the payments made in year 2000 revealed the following:

Date of Receipt of Attendance Sheet _____	Date Schedule is submitted to <u>Finance</u>	Date Payments were made to <u>staff members</u>
Jan 05 Feb	15 Mar	15 Mar
Feb 04 Mar	15 Mar	15 Mar
Mar 09 Apr	09 Jul	10 Jul
Apr 12 May	09 Jul	10 Jul
May 13 Jun	09 Jul	10 Jul
Jun 19 Jul	20 Sep	03 Oct
Jul 09 Aug	20 Sep	03 Oct
Aug 10 Sep	20 Sep	03 Oct
Sep 10 Oct	26 Oct	09 Nov
Oct 08 Nov	21 Nov	03 Jan '01
Nov 08 Dec	02 Jan	03 Jan '01
Dec 08 Jan	15 Jan	16 Jan '01

16. To record the payment of HP payroll, the disbursement and Cashier's imprest account are debited and credited correspondingly. In addition, to reflect the payment in the staff member's account debit and credit is reflected for the HP due to the staff member. This practice credits outright the full amount of the HP from the Cashier's Imprest even if the HP has not been collected yet. It does not reflect the true status of the accounts. A reconciliation has to be done in order to come up with the true status of the cash account and the payable accounts. Also, the payroll is sent to the North for payment to the SMs. There is no update on the status of whether or not the amounts were collected until the acknowledgment of payment of HP signature sheet is sent to Baghdad.

17. Normally, for any payment, the procedure is to debit the disbursement and credit the different payee's account as a payable. The Cashier generates payment when the payee collects the payable amount. The entry upon generation is a debit to the payee's account and a credit to the cashier's imprest account. The advantage is that this reflects the true status of the payee's and the cashier's imprest accounts.

18. We also noted that the approving officer does not indicate the actual date of approval of the transactions. When the staff member preparing the payment voucher enters the transaction into the system, the transaction bears the transaction date. At the time of approval, if the transaction date is not changed, the posting record would bear the transaction date which may be earlier than the actual date of posting. The danger of this practice is that at a given time, an accurate account listing is not possible.

We recommend that:

UNOHCI North should ensure that attendance reports and all supporting documents such as MOPs, sick leave reports, annual leave reports, CTO reports, etc. are submitted to the Personnel Office in Baghdad within a reasonable time set by the CCPO to avoid late payment of HP (Rec.# AF00/50/5/106)

Processing of HP in the Personnel Section should be given to a more responsible staff member, preferably an international staff member (Rec.# AF00/50/5/107)

Payments of HP should be made on a regular monthly basis after the end of each month and supporting documents should be attached to the request for payment from Personnel Section. (Rec.# AF00/50/5/108)

UNOHCI should harmonize the form used for HP payment, so that only one section has to prepare it and ensure that a separate independent verification is made prior to payment. (Rec.# AF00/50/5/109)

UNOHCI should consider establishing a fully operational Imprest account in the North in order to stop the practice of generating payments in Baghdad and sending them to the North for payment.. (Rec.# AF00/50/5/110)

The accounts payable should be credited to each staff member in accordance with the Sun Systems Accounts rather than reflecting transactions in/out for every staff member (Rec.# AF00/50/5/111)

The approving officer should reflect the actual date of approval/posting of transactions to reflect the actual status of accounts (Rec.# AF00/50/5/112)

Personnel Section practices

19. We also found that local staff payroll is automatically prepared without duly certified attendance sheets from Personnel Section. Notification from Personnel is done on an exception basis based on the presumption that everybody is present unless a notification of absence without pay from Personnel Section is submitted to Finance. The review showed that some staff members who have been on leave for prolonged periods of time were included in the payroll. A lack of proper supervision over the activities of the local staff resulted in overpayments, inconsistencies in the application of the policies, late payments, etc.

20. The organization of the Personnel Section is such that all staff members report to the CCPO. At present, there are five international and three local staff members in the Personnel Section. There are 2 international and three local staff vacancies. Considering the importance of the support functions of the Personnel Section, we believe that there should be delegation of authority from the CCPO to the different international staff members who should be made directly responsible for the different functions. The designated international staff members should supervise the local staff assisting them. The practice in other missions is to have different units depending on the type of appointments, i.e. Local unit, International unit, etc.

21. A review of the payments revealed that the on-going practice apportions the \$10/day HP for staff members in the North who report to work on half day on annual leave. In spite of the clarification made that this is applicable to all local staff members who only works for half-day, the review revealed that it is only made applicable to staff members who work half-day on annual leave. All the others working half-day or less than the 7.5 regular working hours specially on Fridays, Saturdays and Holidays were paid full HP of \$10/day. There exists no basis for this allocation and no consistency in its application.

We recommend that:

Local Staff Payroll for salaries should be prepared based on duly certified attendance reports from Personnel Section rather than an automatic monthly payroll preparation based on exceptions, if any.
(Rec.# AF00/50/5/113)

UNOHCI should review the functions and responsibilities of the Personnel Section and the CCPO should delegate responsibilities to different units to establish responsibility and ensure adequate reviews of transactions.
(Rec.# AF00/50/5/114)

UNOHCI should explore the possibility of adopting an automated payroll system, i.e. PROGEN (Rec.# AF00/50/5/115)

Various other issues

22. The following observations were also noted:

- Erroneous index numbers in the reports
- Requests for Working on Friday/Saturday/Holiday are only approved (part III) at the time of submission of attendance reports.
- Part III of the foregoing request is not completed
- No approved requests for CTO attached to attendance records
- Purposes of work are not clear, i.e. operational reasons, official purposes, driver, etc.
- Working regularly on Saturdays to wash vehicles, assist officers, duty mechanic, duty driver, etc.
- Working on Saturdays without duly approved overtime requests

We recommend that:

The Personnel Section ensure that administrative requirements for approving overtime work on Friday/Saturday/Holiday and other reporting requirements are adhered to (Rec.# AF00/50/5/116)

UNOHCI should review the necessity for staff members to work regularly on Friday/Saturday/Holiday. (Rec.# AF00/50/5/117)

HP practices of other UN Agencies implementing SCR 986 activities

23. Under the 986 programme, there are at least 11 different United Nations Agencies operating in Iraq each of whom have their own policies, interpretations and modalities for the payment of the different allowances including HP. The authority on which the HP is made is based on pronouncements of ICSC. Since these agencies are funded under the 986 programme, we believe that payment of the HP in Iraq should be based on only one interpretation. This matter has been a subject often taken up in the Inter Agency meetings in Iraq.

United Nations Office for Project Services (UNOPS)

24. The UNOPS Office in Iraq is a project office undertaking demining operations, Internally Displaced Persons (IDP) operations, Joint Humanitarian Information Centre operations and possibly others in the future. These operations are entirely funded under the SCR 986. UNOPS normally follows the policies and procedures of UNDP (in this case, 1995 guidelines). However, in the payment of HP, they are guided by the following authorization from their NY Office which is different from that of UNDP:

For International staff - \$1,000 per month. No deductions are made for short absences from hazardous area. HP is not paid only when the absence exceeds one month.

For Local Staff - \$205/month. Similarly, absences within the month are not deducted from HP.

United Nations Development Programme (UNDP)

For International Staff - US\$1,000 per month, at a rate of US\$33.33 for each day reported to duty.

For Local Staff - for days for which staff report to work

NPOs100 Series - US\$19.28

GS 100 Series - US\$10.31

ALD 300 Series - US\$10.31 (For bands A1 and A2 - GS)

- US\$19.28 (For bands A3 and A4 - NPO)

Service Contract - US\$10.31

World Food Programme (WFP)

For International Staff including consultants – US\$1,000 per month pro-rated by day

For local staff – pays ALDs only. Only those who are required and report to work. Amount is 20 percent of the mid-point of applicable salary scale.

United Nations Centre for Human Settlements (UNCHS)

Pays International Staff members but pays local staff who are ALDs and drivers under Service Contracts

United Nations Children's Educational Fund (UNICEF)

Pays international staff members and local staff, except SSAs. Applicable rates based on attendance records.

Food and Agricultural Organization (FAO)

Pays international staff members and local staff. But only for local staff going to the North on official travel. Local staff based in the North, are not paid.

World Health Organization (WHO)

Does not pay HP to nationals.

United Nations Educational, Scientific and Cultural Organization (UNESCO)

Pays a flat rate of \$10 per day for local staff.

Office of the United Nations High Commissioner for Refugees (UNHCR)

Pays US\$1,000 for International staff members and \$14/day for local staff members based on attendance at work. Staff member is paid regardless of the number of hours Spent in the designated hazardous area, including trips to Amman and back to Baghdad.

We recommend that:

Considering that UN implementing agencies are fully funded under the 986 programme and that basis of payment of HP is similar to all, UNOHCI, in conjunction with the other UN agencies, should examine ways to harmonize the interpretation and modalities of HP payments.
(Rec.# AF00/50/5/118)

25. We would like to thank the staff of Personnel and Finance Section² for their cooperation.

Copy to:

Mr. Tun Myat, HCI